

# Tax Facts

Washington State Department of Revenue

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## Thank you for your comments and suggestions

In the last issue of *Tax Facts*, we asked for your comments and suggestions regarding this publication. We want *Tax Facts* to provide useful information in an easy to understand format. Suggestions were e-mailed to [Communications@dor.wa.gov](mailto:Communications@dor.wa.gov) and called in to our automated telephone system at 1-800-647-7706.

Requests for specific topics are included in the Q&A section of this issue. Please keep those comments coming; we appreciate hearing from you.

## 2001 Legislative Tax Changes



The 2001 Legislature made several changes to taxes and programs administered by the Department of Revenue. Only those bills signed into law at the time of printing are summarized here. If you have questions, please contact your local Department of Revenue office or the Telephone Information Center at 1-800-647-7706.

### Excise Tax Changes



**Business & Occupation (B&O) tax exemption for wholesale vehicle sales**—Substitute House Bill (SHB) 1119 (Chapter 258, Laws of 2001) provides an exemption from the B&O tax for amounts received by a motor vehicle dealer for the wholesale sale of a used motor vehicle at auction to another dealer.

The legislation also provides an exemption from B&O tax on sales between new car dealers when the sale enables the dealers to adjust their inventory levels. To qualify, the amount paid by the purchasing dealer cannot exceed the amount paid by the selling dealer in the acquisition of the vehicle, however, the selling dealer may add reasonable expenses of preparing the vehicle for sale.

The bill designates a "courtesy dealer" to be the agent for a selling dealer when a new motor vehicle is sold to a Washington customer and delivered through the courtesy dealer located in this state. Unless the selling dealer is registered, the courtesy dealer must report and pay the B&O tax on the transaction, in addition to the courtesy dealer's own taxes. *Effective July 1, 2001.*



**Certain vendors pay use tax directly to the Department**—House Bill (HB) 1706 (Chapter 188, Laws of 2001) authorizes the Department to permit certain businesses (purchasers) to pay use tax directly to the Department rather than sales tax to their vendors. Eligible businesses are required to pay their Combined Excise Tax Returns electronically (EFT) and must purchase more than \$10 million of taxable goods per calendar year.

The bill also changes the measure of the use tax for direct payers to the retail selling price, which includes freight and any other charges added to the price of the goods. Purchases for resale, purchases of meals, motor vehicles, amusement and recreational services, towing charges, hotels, and telephone charges are not eligible for direct pay. *Effective August 1, 2001.*

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# 2001 LEGISLATIVE TAX CHANGES



. . . 2001 Legislative Tax Changes  
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**Sales tax exemption for motorcycles purchased for training**—Substitute Senate Bill (SSB) 5114 (Chapter 285, Laws of 2001) exempts the purchase of motorcycles for use in Department of Licensing motorcycle operator training and education programs as provided by RCW 46.20.520. *Effective July 22, 2001.*

**Use tax exemption for motorcycles used for training**—House Bill (HB) 1582 (Chapter 121, Laws of 2001) exempts the use of motorcycles loaned to the Department of Licensing or its contractors to exclusively provide motorcycle operator training and education as provided by RCW 46.20.520. *Effective July 22, 2001.*

**Sales tax exemption, items prescribed by podiatrists**—House Bill (HB) 1116 (Chapter 75, Laws of 2001) expands the retail sales and use tax exemption to orthotic devices prescribed by a licensed podiatric physician or surgeon. *Effective April 19, 2001.*

**Park model trailers subject to real estate excise tax**—Substitute House Bill (SHB) 2184 (Chapter 282, Laws of 2001) provides the same tax treatment for used park model trailers as for used mobile homes. Park model trailers are semi-permanently sited travel trailers, that do not exceed 400 square feet in size. *Effective August 1, 2001.*



**Excise tax simplification, changes/clarifications**—House Bill (HB) 1361 (Chapter 320, Laws of 2001) provides that applications for the environmental remedial action tax incentive programs are subject to public disclosure. The bill also changes or clarifies the following:

- ◆ Charges for licensing canned software to end users are not taxable under the royalties B&O tax classification. Such charges are retail sales.
- ◆ Charges for solid waste collection are subject to “service” B&O tax and are not subject to the public utility tax. The solid waste collection tax still applies to such charges under Chapter 82.18 RCW.
- ◆ The taxable event for enhanced food fish is the landing of the enhanced food fish. Also the possession of pre-cultured “seeds” is not a taxable event for purposes of the tax on enhanced food fish.
- ◆ Allows taxpayers to carry over the B&O tax credit for creating qualified employment positions until the credit is fully used (the credit cannot create a refund). The recipients of the B&O tax credit must file a report with the Department by January 31<sup>st</sup> following the year after the application for the incentive was allowed.
- ◆ Requires a purchaser of privately owned timber in excess of 200,000 board feet to file a report describing the particulars of the purchase with the Department by the end of the month following the purchase.



**Public utility tax deduction for water efficiency**—Engrossed Substitute House Bill (ESHB) 1832 (Chapter 237, Laws of 2001), provides that water distribution businesses with a water system plan that includes a water conservation plan may deduct 75% of the amounts expended for water conservation under the “conservation expenditures” category. The plan must be filed with the Department of Health. Municipalities and businesses operating with permits filed with the Department of Ecology for reclaimed water may deduct 75% of their gross income under the “reclaimed water” category. *Effective May 10, 2001.*

**Sales tax exemption for conifer seeds**—Substitute Senate Bill (SSB) 5484 (Chapter 129, Laws of 2001) provides a retail sales tax exemption for the sale of conifer seed that is immediately placed into freezer storage operated by the seller for use in growing timber outside Washington. There is a corresponding use tax exemption.

The law provides for deferred sales tax liability for persons who do not know at the time of purchase whether the seeds will be used inside or outside the state. A deduction is also provided in cases where the sales tax was paid on seeds that were used for growing timber outside the state. *Effective July 22, 2001.*

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**Sales tax exemption for electric generation**—House Bill (HB)

1859 (Chapter 213, Laws of 2001) adds fuel cells to the qualifying machinery and equipment eligible for sales and use tax exemption for alternative electric generating facilities. “Fuel cell” means an electrochemical reaction that generates electricity by combining atoms of hydrogen and oxygen in the presence of a catalyst. The bill also changes the requirement that the machinery and equipment must be used to generate at least 200 watts (instead of 200 kilowatts) of electricity. *Effective July 1, 2001.*



**Changes for linen and uniform supply services**—House Bill

(HB) 1385 (Chapter 186, Laws of 2001) provides that the sale of linen and uniform supply services will occur at the place of delivery to the customer. Previously, the sale was considered to occur where the laundering facility was located.

As a result, linen and uniform supply services must collect retail sales tax based on the rate in effect at the location where delivery occurs. This change is effective July 1, 2001.

“Linen and uniform supply services” means the activity of providing customers with a supply of clean linen, towels, uniforms, gowns, protective apparel, mats, rugs, and similar items, whether the items are owned by the person operating the linen and uniform supply service or owned by the customer. The term includes supply services operating their own cleaning establishments as well as those contracting with other laundry or dry cleaning businesses. *Effective July 1, 2001.*

**Tax status of farmers**—Substitute House Bill (SHB) 1339 (Chapter 118, Laws of 2001) clarifies and changes the taxable status of farmers in several areas. SHB 1339 contains the following provisions:

- ♦ Excludes farmers as defined in RCW 82.04.213 from the definition of extractors.
- ♦ Changes the term “agricultural product” to exclude pet animals.
- ♦ Provides that farmers who manufacture farm products (e.g., producing wine from grapes they grow) do not lose their status as farmers. As a result, farmers who manufacture products from agricultural products they raise may purchase inputs associated with raising agricultural products (e.g., seed, fertilizer, spray materials) at wholesale.
- ♦ Changes the B&O tax exemption to include the growing, raising, or production of agricultural products (including custom feed operations).
- ♦ Clarifies that the sales and use tax exemptions for purebred livestock means livestock as defined in RCW 16.36.005.
- ♦ Provides that litter tax does not apply to sales by farmers that are exempt from the B&O tax. *Effective July 22, 2001.*

**Various tax incentives for energy**—Engrossed House Bill (EHB) 2247 (Chapter 214, Laws of 2001) is designed to encourage the construction of electrical generation facilities. This is accomplished through changes in the permitting process and targeted tax credits and exemptions.

The legislation allows tax credits for electrical generation facilities associated with direct service industrial customers. A direct service industrial customer is a business that purchases electricity directly from the Bonneville Power Administration for direct consumption by that business. B&O tax credits are authorized for purchases of manufactured or natural gas used to power electrical generation facilities. A public utility tax credit is allowed for electricity sales to direct service industrial customers. For each type of tax credit the recipient must submit an application to the Department of Revenue before taking the credits.

To mitigate increased electricity costs to low income persons, the legislation authorizes a public utility tax credit for utilities that make contributions to qualifying organizations and provide discounts to low income individuals. This program will be jointly administered by the Department of Community, Trade & Economic Development and the Department of Revenue. *Bill generally effective May 8, 2001; various credit provisions effective July 1, 2001.*

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# 2001 LEGISLATIVE TAX CHANGES



. . . 2001 Legislative Tax Changes  
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## Other Legislative Changes

**Use of local sales tax for special needs transportation**—Substitute House Bill (SHB) 1596 (Chapter 89, Laws of 2001) allows for the creation of a county transportation authority to provide transportation services to persons with special needs. The bill also expands the use of local sales and use tax for public transportation services to include the transportation of persons with special needs. *Effective July 22, 2001.*

**Cash or accrual, grain warehouses**—Substitute House Bill (SHB) 1140 (Chapter 20, Laws of 2001) allows persons operating grain warehouses to elect to report the income from such operations on either a cash receipts or accrual basis. *Effective July 1, 2001.*

**Project to study use of electronic resale certificates**—Substitute House Bill (SHB) 1203 (Chapter 116, Laws of 2001) permits the Department to set up a project in which certain sellers may collect and use electronic resale certificates with electronic signatures. Participants must sign an agreement with the Department and demonstrate that they are able to provide data in a form the Department can use. Such sellers are relieved of any other exemption documentation requirements for wholesale sales. *Effective July 22, 2001.*

## Property Tax Changes

**Simplification of property taxation of land assessed as forest land**—Substitute Senate Bill (SSB) 5702 (Chapter 249, Laws of 2001) simplifies and consolidates chapter 84.33 RCW regarding the taxation of land used to grow and harvest trees. This bill merges the two categories, classified and designated, into one category. As a result, all forest land valued under chapter 84.33 RCW is classified as designated. It is important to note that RCW 84.33.120, which deals with classified forest land, is repealed in SSB 5702 and amended in SHB 1450. Taxpayers and county officials should consider RCW 84.33.120 repealed as of the effective date of this act. *Effective July 22, 2001.*

**Property tax exemption**—Substitute House Bill (SHB) 1450 (Chapter 305, Laws of 2001) provides two exemptions from the back taxes and interest that are generally assessed when land is removed from classification or designation under chapter 84.33 RCW (forest land) and classification under chapter 84.34 RCW (open space). One exemption applies to sales or transfers of such land that occur within two years of the death of the owner when the land has been continuously classified or designated under chapter 84.33 or 84.34 RCW since 1993. The other exemption also applies to land continuously classified or designated under chapter 84.33 or 84.34 RCW, since 1993 when the sale or transfer of the land occurs within two years of the death of the owner, but applies in cases where the owner died after January 1, 1991, and the sale or transfer takes place between July 22, 2001, and July 22, 2003. *Effective July 22, 2001.*

**Property tax exemptions; public hospitals and educational foundations**—Engrossed Substitute House Bill (ESHB) 2191 (Chapter 126, Laws of 2001) extends the property tax exemption to include real and personal property leased by a public hospital district. The exemption also extends to real and personal property owned or leased by nonprofit foundations which support public or private institutions of higher education. The property must be used for campus purposes to further the educational functions of the college or university and be actively used by current students of the institution. *Effective July 22, 2001.*

**DOR to collect deferred property tax rather than county treasurer**—Substitute Senate Bill (SSB) SSB 5638 (Chapter 299, Laws of 2001) authorizes the Department of Revenue to collect all the amounts deferred as well as interest under 84.38 RCW (Deferral of Special Assessments and/or Property Taxes).

**Property tax levy for passenger rail service**—House Bill 1943 (Chapter 58, Laws of 2001) allows the legislative authority of a county to establish one or more county rail districts to provide and fund improved rail freight, passenger service, or both. *Effective July 22, 2001.*

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**Forest practices act-farm land**—Substitute Senate Bill (SSB) 5497 (Chapter 102, Laws of 2001) excludes farm and agricultural land from the definition of forest land under the forest practices act. As a result, forest land does not include agricultural land that is or was enrolled in the conservation reserve enhancement program by contract if such agricultural land was historically used for agricultural purposes and the landowner intends to continue to use the land for agricultural purposes in the future. *Effective July 22, 2001.*

**Short-rotation hardwood trees on agricultural land**—Senate Bill (SB) 5108 (Chapter 97, Laws of 2001) extends the life for short-rotation hardwood trees grown on land classified as agricultural from 10 to no more than 15 years. Such trees are considered agricultural products and growers are farmers. *Effective July 22, 2001.* ▲

## New Interim Audit Guidelines

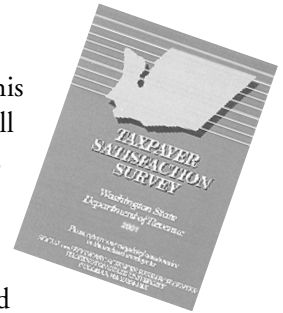
**I**nterim Audit Guidelines (IAG) explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are intended to communicate timely guidance of tax issues where no published guidance exists.

The following guidelines were issued January 1, 2001.

<b>IAG 01.01</b>	Deferred Sales Tax
<b>IAG 02.01</b>	Refunds of retail sales tax collected in error
<b>IAG 03.01</b>	Taxability of Credit Bureau Services

## Taxpayer Satisfaction Survey -- The Department asks for Feedback

**D**uring the month of May, many businesses received our **Taxpayer Satisfaction Survey**. This survey provides an opportunity for businesses to tell us how we are doing, identify any areas of concern, and provide suggestions. Although voluntary, this survey is very important.



The survey includes questions about the Combined Excise Tax Return, telephone and counter assistance, and the Department's web site. Survey results are used to determine the information or services businesses need most to meet their tax obligations.

If you received the survey, please complete and return it to the independent survey team as soon as possible. Your opinions and suggestions continue to make a difference.

Information provided by previous survey participants led to various tax simplification processes. Some recent changes include the creation of a multi-use exemption certificate that combined several exemption certificates into one multi-use certificate, and a brochure identifying the **10 most common reporting errors**. The Department also changed the information sent to new businesses and created a simplified Combined Excise Tax Return that is currently used by 30,000 annual filers.

Information regarding previous surveys is available via the Department's web site at <http://dor.wa.gov> by selecting "Miscellaneous." ▲

## Attend the 2001 Small Business Fair

**L**earn from experts how to start, improve, or expand your small business at the fifth annual Washington Small Business Fair. The "Biz Fair" will take place on Saturday, September 8, 2001, between the hours of 8:30 a.m. and 3:30 p.m. at the Renton Technical College, 3000 NE 4<sup>th</sup> Street, Renton, Washington.

This year's fair features more than 35 seminars and 50 exhibits, including a seminar led by Tom O'Keefe, CEO and founder of Tully's Coffee. Mr. O'Keefe will talk about his experiences starting Tully's and how he made it into the company it is today. There will also be a panel discussion involving successful small business owners. You will hear about their individual accomplishments and have the opportunity to ask them questions.

The fair is free. Parking is free. No advance registration is required, so come for all or part of the day. A complete listing of Biz Fair seminars will soon be available at the Department's web site, <http://dor.wa.gov> or by fax if you call (360) 786-6116 and enter code 503#. ▲

# Excise Tax Advisories Repealed



## Rule Changes



The Department issues Excise Tax Advisories (ETA) to explain the Department's policy regarding specific tax issues. The table below identifies recently repealed ETAs.

### ETAs repealed

#### *Effective May 17, 2001*

ETA 572.04.169 Grants received by nonprofit or governmental entities.

#### *Effective April 11, 2001*

ETA 459.04.146 Interest received on direct obligations of the federal government.

#### *Effective February 15, 2001*

ETA 183.16.179 Gross income of public utility districts.

ETA 186.08.239 Sales to nonresident farmers and the machinery and implements exemption.

ETA 291.04.239 Parts and repairs for farm machinery of nonresidents.

ETA 314.12.178 Inventory donated to charity subject to use tax.

ETA 381.04.161 Wholesale sales of rye and milo.

ETA 434.04.169 Business and occupation-sales tax: Nonprofit organization's retailing magazines.

ETA 502.40.181 Suitable records-Timber harvesters.

ETA 504.08.192 Sales to or by Indians.

ETA 2005.84.33 Timber tax-Personal use of timber by landowner.

The Department publishes tax rules, Washington Administrative Code (WAC) to assist taxpayers in accurately reporting their tax liability. The following rules were recently revised or adopted. The rules are available at <http://taxpedia.dor.wa.gov>.

### Excise Tax Rules Adopted

WAC 458-20-169	Nonprofit organizations. <i>Effective May 17, 2001.</i>
WAC 458-20-192	Indians—Indian country. <i>Effective January 1, 2001.</i>
WAC 458-20-228	Returns, remittances, penalties, extensions, interest, stay of collection. <i>Effective March 12, 2001.</i>
WAC 458-20-22802	Electronic funds transfer. <i>Effective April 13, 2001.</i>
WAC 458-20-238	Sales of watercraft to nonresidents. <i>Effective December 2, 2000.</i>
WAC 458-20-247	Trade-ins, selling price, sellers' tax measures. <i>Effective April 21, 2001.</i>
WAC 458-20-264	National Uniform Tobacco Settlement. <i>Effective December 23, 2000.</i>

## Taxpedia offers comprehensive online access to state tax information

Comprehensive state tax information is now only a mouse click away. Taxpedia is a one-stop source for tax-related laws, rules, advisories, administrative decisions and court cases. It's available at <http://taxpedia.dor.wa.gov>. The Department of Revenue designed this service so businesses, tax practitioners and the general public can access pertinent tax information in one place.

Taxpedia accesses nearly 11,000 documents in several databases relevant to taxes. This includes the Revised Code of Washington (RCW), Washington Administrative Code (WAC), advisories (ETAs) and rulings issued by the department, administrative decisions by the Washington State Board of Tax Appeals, and cases decided by Washington's appellate courts. ▲

## Attend a “free” tax workshop

The following free tax workshops offered by the Department provide an overview of Washington’s tax structure, as well as industry specific information. Participants will receive tax reference workbooks and have the opportunity to ask questions regarding taxes applicable to their specific business activities.

**C**onstruction Industry Tax Workshops provide tax information specific to construction activities. This two-hour workshop covers custom construction, speculative building, government contracting, public road construction, and much more.



You may register to attend a construction workshop online at <http://dor.wa.gov/menu/services/workshops.htm>.

### Construction Industry Tax Workshop Schedule Quarter 3, 2001

- 7/10/01 Everett**  
Everett Community College  
9:00-11:00 a.m.  
801 Wetmore Ave., Everett  
Jackson Center
- 8/7/01 Bellingham**  
Bellingham Tech College  
9:00-11:00 a.m.  
3028 Lindbergh Ave., Bellingham  
Bldg G, Rooms A & B
- 9/12/01 Yakima**  
Yakima Educational Service District 105  
9:00-11:00 a.m.  
33 S. Second Ave., Yakima  
Yakima Room

**N**ew Business Outreach Workshops provide a basic overview of taxes that apply to various business activities in Washington. Topics include tax reporting classifications, deductions, collecting sales tax, and record-keeping requirements.

New Business Outreach Schedule			
Date	Location	Address	Time
7/10/01	Pt. Angeles 360/457-2564	Pt. Angeles City Hall Council Chambers 321 East 5th Street	9:00-12:00
7/10/01	Bellingham 360/676-2068	Dept. of Social and Health Services/ Labor & Industries Building, 1720 Ellis Street, Conference Room A	1:00-4:00
7/11/01	Tacoma 253/593-2722	Lakewood Library 6300 Wildaire Road SW	1:00-4:00
7/11/01	Bremerton 360/478-4961	Dept. of Revenue 4841 Auto Center Way, Suite 201	9:30-11:30
7/12/01	Kent 425/277-7300	Kent Public Library 212 2nd Ave, North	1:00-4:00
7/17/01	Wenatchee 509/663-9714	Douglas County Fire Station 377 Eastmont Ave, East Wenatchee	1:30-4:00
7/18/01	Spokane 509/482-3805	Dept. of Revenue 8th floor of Northtown Office Bldg. 4407 N. Division	8:30-11:30; 1:30-4:30
7/18/01	Olympia 360/753-1551	Dept. of Revenue Target Place Complex 2735 Harrison Ave, NW	9:00-12:00
7/18/01	Vancouver 360/260-6176	Dept. of Revenue Training Room 8008 NE 4th Plain Blvd, Suite 340	1:00-4:00
7/19/01	Bellevue 425/452-6851	Bellevue City Hall, Council Conf. Room 11511 Main Street	1:00-4:00
8/1/01	Seattle 206/956-3002	Dept. of Revenue 2104 4th Ave, Suite 1400	1:00-4:00
8/1/01	Bremerton 360/478-4961	Dept. of Revenue 4841 Auto Center Way, Suite 201	9:30-11:30
8/7/01	Bellingham 360/676-2068	Dept. of Social and Health Services/ Labor & Industries Building 1720 Ellis Street, Conference Room A	1:00-4:00
8/8/01	Tacoma 253/593-2722	Lakewood Library 6300 Wildaire Road SW, Lakewood	1:00-4:00
8/15/01	Spokane 509/482-3805	Dept. of Revenue 8th floor of Northtown Office Bldg. 4407 N. Division	8:30-11:30; 1:30-4:30
8/15/01	Vancouver 360/260-6176	Dept. of Revenue Training Room 8008 NE Fourth Plain Blvd, Suite 340	1:00-4:00
8/21/01	Wenatchee 509/663-9714	Douglas County Fire Station 377 Eastmount Ave, East Wenatchee	1:30-4:00
9/5/01	Bremerton 360/478-4961	Dept. of Revenue 4841 Auto Center Way, Suite 201	9:30-11:30
9/11/01	Bellingham 360/676-2068	Dept. of Social and Health Services/ Labor & Industries Building 1720 Ellis Street, Conference Room A	1:00-4:00

Register to attend a workshop online at <http://dor.wa.gov/menu/services/workshops.htm> or call the number listed. Other workshop dates will be scheduled soon. Check our web site for dates, times, and locations. ▲

# Q&A

**Q.** I recently became aware of the local tax rate increase, effective April 1, in King County. My business reports on a cash basis and have billed customers in March at the old local tax rates. How do we handle this when customers pay the old rate in the new quarter?

**A.** The appropriate tax rate is the rate that applies for the period in which the "value proceeds or accrues to the business."

Generally, when the business is on a *cash basis*, value accrues to a business at the time the taxpayer receives the payment. However, when a tax rate change has occurred, a cash basis business must report all of its outstanding accounts receivable on the last day before the change goes into effect, in the same manner as an accrual basis business.

For example, a seller bills a customer on March 28, 2001, and receives payment on April 28, 2001. The rate changed on April 1, 2001. All sellers, including businesses reporting on a cash basis, should have reported the income on the March 2001 tax return and remitted the sales tax at the old rate.

If a cash basis business did not report the sale on the March tax return, it must still collect the old rate from the customer. The seller can then file an amended tax return for March to include that sale. If tax was collected at the higher (new) rate, the seller must refund the difference between the two rates to the customer before it can amend its tax returns.



**Q.** I hired someone to mow my lawn and was charged retail sales tax on this service. Is this correct?

**A.** Yes. The law defines those activities that are subject to retail sales tax. As provided in Revised Code of Washington (RCW) 82.04.050, the term "retail sale" includes the sale of or charge made for personal, business or professional services, by persons engaged in the activity of landscape maintenance. Landscape maintenance includes lawn mowing, planting, and pruning.

**Q.** How does tax apply to the activity of clearing land and/or removing trees?

**A.** The tax application to charges for clearing land depends on the reason that the land is being cleared. For instance, **retail sales tax applies to:**

- ◆ **Land clearing or tree removing performed for a developer**  
Land clearing performed for a developer (i.e., landowner) as a prelude to commercial or residential development is a retail activity. Retail sales tax applies to such charges. In addition, B&O tax applies under the retailing classification.
- ◆ **Landscaping**  
Removing trees from developed property is a retail activity, subject to retail sales tax. In addition, B&O tax applies under the retailing classification.

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*Removing trees from developed property is a retail activity, subject to retail sales tax.*

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**Retail sales tax does not apply when clearing land or removing trees under the following conditions:**

- ◆ **Prime Contractor (i.e., Subcontracting)**  
If land clearing is performed for a prime contractor, a resale certificate may be used to avoid paying sales tax on such charges. The charges are subject to B&O tax under the wholesaling classification. The prime contractor must collect sales tax from the landowner on the total contract amount, which includes charges for land clearing.
- ◆ **Agriculture**  
Removing stubble or vegetation from existing agricultural land (including trees or stumps from orchards) for farmers as a prelude to planting or replanting is not a retail activity. These charges are subject to B&O tax under the services and other activities classification.
- ◆ **Logging**  
Charges for severing trees as part of a timber harvest operation are subject to B&O tax under the extracting/extracting for hire classification. Sales tax does not apply. ▲



# About Local Sales Tax:

## Determining the correct code and rate

The four-digit local tax code sellers report on the Combined Excise Tax Return determines how the Department will distribute the local taxes to local governments. Because local governments (cities and counties) depend upon the local tax to fund the various services they provide, it is very important for sellers to collect and report local sales tax correctly. The local tax code also determines the tax rate that customers will pay.

With more than 350 local sales and use tax codes, it can be difficult to determine which one applies. In general, the type of sale determines the place of sale and ultimately the local tax code and rate. The various types of sales include tangible personal property and labor and/or retail services.

### Sales of Tangible Personal Property

The “place of sale” for a simple sale of tangible personal property occurs at the location at which or from which the seller delivers the goods to the buyer. This is generally the seller’s place of business. This means that the local tax code for the location of the seller’s place of business is the correct code.

**Example:** A buyer visits a department store in Bellingham and purchases various items of clothing. The department store must collect and report sales tax based on the location code and rate in effect for Bellingham.

**Example:** A customer in Yakima orders clothing items from a store’s catalog. The customer calls a central telephone number in Seattle and the

store uses a common carrier to deliver the items from its Tukwila warehouse facility. The store must collect and report sales tax based on the location code and rate for Tukwila.

### Sales of Labor and Retail Services

Generally, persons performing labor and/or retail services must collect tax at the rate of the location where the services are **primarily** performed. Labor and services may include construction, repair, installation, landscape maintenance, and other activities as defined by Revised Code of Washington (RCW) 82.04.050. Special provisions apply to towing activities and uniform/linen supply services. Some businesses perform work at their place of business and some perform work at the customer’s location.



If a business primarily renders its services from its business location, the local tax code is the location of the business. For example, automobile repair and servicing generally occur at the repair shop’s location. Other businesses may perform services at the customer’s location. For example, septic tank pumping or repair and landscape maintenance activities generally occur at the customer’s location.

When performing services at various locations, multiple location codes will apply. Relying on zip codes to determine a location is inaccurate

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*Relying on zip codes to determine a location is inaccurate because local tax jurisdictions do not correspond with zip codes.*

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because local tax jurisdictions do not correspond with zip codes. If you are unsure which local tax code and rate applies, call the Telephone Information Center at 1-800-647-7706 and talk with a representative. You may also use the Department’s Geographic Information System (GIS) via the Department’s web site to look up a specific address.

For more information regarding local sales tax and “place of sale,” refer to Washington Administrative Code (WAC) 458-20-145. The Department’s publication, *Tax Return Information and Local Sales and Use Tax Changes*, which is mailed with the tax return, identifies rates/codes by county for all jurisdictions in the state. It also provides information regarding local tax rate changes. ▲



1-800-334-8969

Prerecorded Tax Information  
24 hours a day

#### TAX INFORMATION

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#### TELEPHONE NUMBERS FOR OTHER AGENCIES

Internal Revenue Service (IRS)  
1-800-829-1040  
Master Application Status,  
Department of Licensing  
(360) 664-1400

## 24-hour automated services



The Department of Revenue's Telephone Information Center offers several automated services. With the exception of *Tax Express* and Revenue's web site, you can access any of these services by calling 1-800-647-7706. Listen to the menu and select the option you wish to use.

**Fast Fax** — Transmit documents directly to your fax machine. For a list of available documents, enter code 500#. To bypass menu selections, call (360) 786-6116.

**Workshops** — Call to attend one of the New Business Outreach Workshops.

**Vehicle or vessel fraud** — Report vehicle or vessel licensing fraud.

**Address changes** — Notify us if you have moved or changed your mailing address.

**Business closures** — Notify us if you have closed or sold all or part of your business. If you've sold your business, tell us who you sold the business to and whether you'll continue to do business under your UBI/tax registration number.

**Master Applications** — Request a new Master Application if you're changing your business structure (legal entity), changing or adding a trade name, opening a new location, reopening a closed business, divorcing and your spouse is no longer responsible for the business, changing your principal product or service and a license from another agency is required, or transferring the majority of a corporation's stock to different individuals.

**Copies of rules, laws, or other departmental publications** — Request a rule, law, or other publication. An order form listing the Department's fact sheets and brochures is available via *Fast Fax*, code 501#.

**Proposed rules** — Leave informal comments on proposed rule changes or ask to be placed on a mailing list to receive notice of future proposed rule-making actions.

**Delinquent notices/no tax returns** — Clear the delinquency if you have received a delinquent notice and you have no business to report.

**Duplicate tax returns** — Request a new tax return be faxed or mailed if you've misplaced your tax return. Have your UBI/tax registration number ready when calling.

**Tax Express** — Listen to prerecorded tax information by calling 1-800-334-8969. To listen to the topic of your choice, enter the three-digit code. To receive a list of topics and codes, call 1-800-647-7706 and leave a message with the automated voice attendant.



**Revenue's web site** — See what's new on our web site:  
<http://dor.wa.gov>

# Publications Order Form

The Department of Revenue offers numerous publications covering a wide range of topics. These publications are available upon request by calling the Telephone Information Center at (800) 647-7706, by contacting your local Revenue office, or by completing this form and mailing it to: Department of Revenue, Taxpayer Services Division, PO Box 47478, Olympia, WA 98504-7478. Many of these publications are also available on the Department's Internet web site at <http://dor.wa.gov>.



QUANTITY	PUBLICATION
_____	Active, Nonreporting Business
_____	Aircraft Taxes
_____	Audit Process
_____	Below Minimum
_____	Business and Occupation Tax
_____	Business Tax Guide
_____	Business Tax Overview
_____	Child Care Operators
_____	Cigarette Tax
_____	Collection Process
_____	Construction Tax Guide
_____	Deferrals, Credits and Exemptions
_____	<i>Manufacturer's Sales/Use Tax Exemption</i>
_____	<i>Distressed Areas Sales/Use Tax Deferral Program</i>
_____	<i>Distressed Area Business and Occupation Tax Credit for New Employees</i>
_____	<i>High Technology Sales/Use Tax Deferral</i>
_____	<i>High Technology Business and Occupation Tax Credit</i>
_____	Electronic Funds Transfer
_____	Electronic Filing
_____	Farm Use Tax
_____	Fast Fax
_____	Fish Taxes
_____	Hazardous Substance Tax
_____	Homeowner's Guide to Property Tax
_____	Horse Industry Tip Sheet
_____	How to Amend Your Combined Excise Tax Return
_____	Nonprofit Organizations
_____	Notice to all Auto Repair Facilities
_____	Outline of Major Taxes
_____	Personal Property Tax
_____	Property Tax Deferrals for Senior Citizens and Disabled Persons
_____	Property Tax Exemptions for Senior Citizens and Disabled Persons
_____	Resale Certificate
_____	Real Estate Transactions and Use Tax
_____	Retail Sales Tax
_____	Small Claims Hearings
_____	Taxpayer Rights and Responsibilities
_____	Tax, Title and Registration of Boats
_____	Temporary Business Registration
_____	Unclaimed Property
_____	Use Tax
<b>OTHER:</b>	
_____	Excise Tax Advisories (ETA) _____ identify by number
_____	Numerical listing and titles of ETAs
_____	Special Notice _____ identify by number and title
_____	Tax Topics <i>article reprint</i> _____ please include code, issue and article
_____	WAC (Rule) _____ identify by number
_____	Washington Tax Facts _____ identify by name

**PLEASE SEND PUBLICATION(S) TO:**

Contact Person: \_\_\_\_\_

Business Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

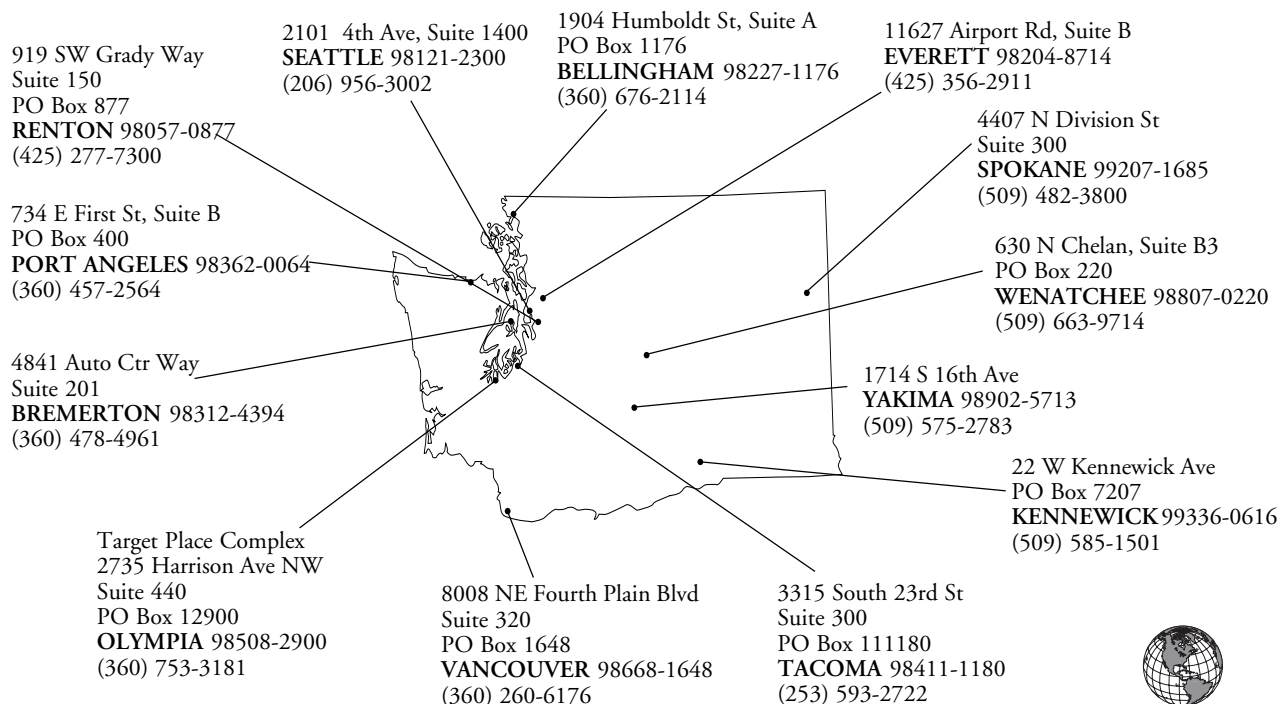
City, State, Zip: \_\_\_\_\_



*Serving the People of Washington*

Telephone Information Center 1-800-647-7706  
<http://dor.wa.gov>

### Department of Revenue Taxpayer Assistance 1-800-647-7706



<http://dor.wa.gov>

*To inquire about the availability of this document in an alternate  
format for the visually impaired, please call (360) 753-3217.  
Teletype (TTY) users please call 1-800-451-7985.*

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